

Study Guide Score. . . 30 Name _____

Deduct. _____ Date _____ Class _____

Your Score. _____



CHAPTER 25

The Banking System and Financial Services

STUDY GUIDE

PART I

Directions: An important term has been omitted from each of the following statements. In Column 2 write the word or words needed to complete each sentence in Column 1.

COLUMN 1	COLUMN 2	For Scoring
1. When a bank is granted a charter by the federal government, the bank operates as a(n) (?) bank.	_____	1. _____
2. The federal agency that protects depositors' money in case a bank fails is the (?)	_____	2. _____
3. Another name for a "full-service bank" is (?)	_____	3. _____
4. A bank that manages money and property for its customers is called a(n) (?)	_____	4. _____
5. All national banks are required to join the Federal (?) System	_____	5. _____
6. Savings that are put to work to earn more money are called (?)	_____	6. _____
7. An efficient way for a bank to transfer funds immediately from your savings account to another bank is with a(n) (?)	_____	7. _____
8. A good place to keep a list of insurance policies is in a bank's (?)	_____	8. _____
9. The money earned on funds deposited in savings accounts is called (?)	_____	9. _____
10. Deposits in credit union accounts are insured by the (?)	_____	10. _____

PART II

Directions: Indicate your answer by placing the letter of the term in the blank to the right of its definition.

- | | |
|---|------------------------------------|
| A. commercial bank | F. consumer finance company |
| B. Federal Deposit Insurance Corporation (FDIC) | G. interest |
| C. savings and loan association (S&L) | H. electronic funds transfer (EFT) |
| D. mutual savings bank | I. safe-deposit boxes |
| E. credit union | J. investments |
| | K. trust companies |
| | L. Federal Reserve System (Fed) |

ANSWERS

For
Scoring

1. A bank owned by depositors that mainly handles savings accounts and makes loans to home buyers.
2. A bank that offers a full range of financial services.
3. A nationwide banking plan set up by our federal government to supervise and regulate member banks.
4. An amount paid for the use of money.
5. Financial institutions that specialize in managing the money and property of others.
6. A financial institution that specializes in savings accounts and loans for mortgages.
7. A not-for-profit financial institution formed by people who have like occupations or live in the same community and that serves only its members.
8. A financial institution that specializes in making loans for long-lasting or durable goods and financial emergencies.
9. A federal agency that protects depositors' money in case of the failure of a bank or financial institution that is regulated by the FDIC.
10. A secured area in a bank vault for storing valuables.
11. A system through which funds are moved electronically from one account to another and from one bank to another.
12. Savings that are put to work to earn more money.

1.
2.
3.
4.
5.
6.
7.
8.
9.
10.
11.
12.

PART III

Directions: Indicate whether each statement below is correct or incorrect by placing a check mark on the line under *true* or *false* at the right.

TRUE FALSE

For
Scoring

1. A bank is a business as much as a clothing shop is.
2. All banks must join the Federal Reserve System.
3. Many savings and loan associations are beginning to call themselves savings banks.
4. A life insurance company is a nondeposit financial institution.
5. In bank titles, "N.A." is used to designate state banks.
6. All checking accounts must use electronic funds transfer (EFT).
7. A mortgage company is an example of a deposit-type institution. ...
8. Financial supermarkets offer everything from automated teller machines and loans to safe-deposit boxes.

TRUE	FALSE
1.	
2.	
3.	
4.	
5.	
6.	
7.	
8.	

Name _____

ACTIVITIES

Applying Critical Thinking Skills

When money is put into a bank account for a long period, it is called a *time* deposit. When money is put into an account for a short period, it is called a *demand* deposit. For each item below, circle the appropriate type of deposit.

- | | | |
|--|------|--------|
| 1. Monthly deposits made for a year in order to buy a car. | TIME | DEMAND |
| 2. Weekly paychecks deposited from which withdrawals are made on a regular basis. | TIME | DEMAND |
| 3. Regular deposits made all year in a Christmas Club for withdrawal on December 1. | TIME | DEMAND |
| 4. A school's business club deposits \$50 earned from a bake sale from which bills must be paid. | TIME | DEMAND |
| 5. A business payroll account used to make weekly payroll checks. | TIME | DEMAND |

Applying Information Skills

For each situation below, write the correct letter for the type of financial service that is being used.

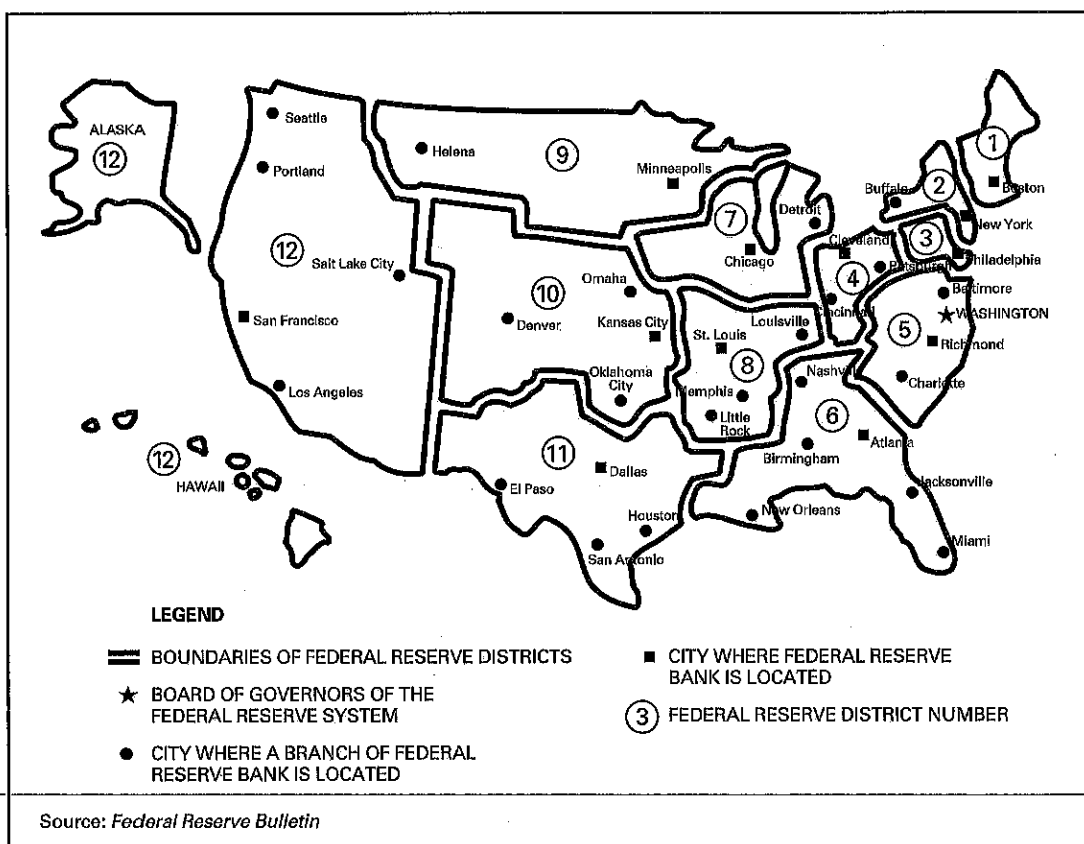
- | | |
|-----------------------|-------------------------------|
| A. accepting deposits | D. storing valuables |
| B. transferring funds | E. providing financial advice |
| C. lending money | F. managing trusts |

- | | |
|--|-------|
| 1. A business owner is planning to buy a truck on credit. | _____ |
| 2. An import company manager needs to make payment for goods purchased from a company in Peru. | _____ |
| 3. A high school student received a gift of money from an aunt and wants to have the funds managed so they will be available for college. | _____ |
| 4. A student collects rare coins and wants to keep them in a safe location. | _____ |
| 5. A college student works full time during the summer and needs to put the money earned in a savings account. | _____ |

Applying Systems Skills

The map below shows the 12 Federal Reserve Districts for the United States and the cities in which Federal Reserve banks are located. Also shown are the 24 Federal Reserve System branch banks. From the map, answer the following questions.

1. Which Federal Reserve bank district serves your community? _____
2. List the cities with Federal Reserve branch banks for your district. _____
3. Which Federal Reserve bank district serves Alaska and Hawaii? _____
4. If you and your family moved to Maine, which Federal Reserve bank district would serve your area? _____
5. Which Federal Reserve System branch bank would be closest to you and your family if you moved to the Florida Keys? _____



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CHAPTER 26

Opening a Checking Account

STUDY GUIDE

PART I

Directions: Indicate whether each statement below is correct or incorrect by placing a check mark on the line under *true* or *false* at the right.

	TRUE	FALSE	For Scoring
1. Checking accounts are extremely popular in the United States.	_____	_____	1. _____
2. A checking account provides greater temptation to spend money than does cash.	_____	_____	2. _____
3. A check, once cashed, is legal proof that you paid for something.	_____	_____	3. _____
4. Careful record keeping can be a disadvantage of having a checking account.	_____	_____	4. _____
5. Checking account features differ from bank to bank.	_____	_____	5. _____
6. A special checking account would be preferred if you wrote only a few checks every month.	_____	_____	6. _____
7. Savings accounts usually allow check-writing privileges.	_____	_____	7. _____
8. Some checking accounts earn interest only when large balances are maintained.	_____	_____	8. _____
9. A member of a credit union who is also a depositor is called a stockholder.	_____	_____	9. _____
10. An endorsement is used to authorize an electronic transfer.	_____	_____	10. _____
11. A check register is a fee charged by a bank for handling a checking account.	_____	_____	11. _____
12. An official record of a depositor's signature is called a signature card.	_____	_____	12. _____
13. Another name for a deposit slip is a deposit ticket.	_____	_____	13. _____

PART II

Directions: In Column 3 write the *letter* of the term in Column 1 that most closely matches the type of endorsement indicated in Column 2. (Column 1 choices are used more than once.)

COLUMN 1	COLUMN 2	COLUMN 3	For Scoring
A. blank endorsement	1. Often used by businesses that deposit checks received from customers.	_____	1. _____
B. restrictive endorsement	2. The least safe of all endorsements.	_____	2. _____
C. special or full endorsement	3. "For Deposit Only."	_____	3. _____
	4. The safest type of endorsement to use when transferring a check to another person or business.	_____	4. _____
	5. A check with this type of endorsement could be cashed by anyone who found it.	_____	5. _____

PART III

Directions: Indicate your answer by placing the letter of the term in the blank to the right of its definition.

- | | |
|----------------------|----------------------------|
| A. service charge | G. endorsement |
| B. money market rate | H. blank endorsement |
| C. sharedrafts | I. special endorsement |
| D. signature card | J. restrictive endorsement |
| E. joint account | K. check stub |
| F. deposit slip | L. check register |


	ANSWERS	For Scoring
1. A form that accompanies a deposit and lists the items you deposited—currency, coins, or checks.	_____	1. _____
2. A form attached to a check on which a depositor keeps a record of the checks written and any current deposit.	_____	2. _____
3. Written evidence that you received payment or that you transferred your right of receiving payment to someone else.	_____	3. _____
4. A separate form on which the depositor keeps a record of deposits and checks.	_____	4. _____
5. A card, kept by a bank, that shows the signatures of all individuals authorized to draw checks against the account.	_____	5. _____
6. A bank account that is used by two or more people.	_____	6. _____
7. An endorsement that limits the use of a check to the purpose given in the endorsement.	_____	7. _____
8. A fee a bank charges for handling a checking account.	_____	8. _____
9. An endorsement including the name of the person to whom the check has been transferred.	_____	9. _____
10. The current cost of money in the marketplace.	_____	10. _____
11. Withdrawals made on a member's shares of ownership (deposits) in a credit union.	_____	11. _____
12. An endorsement consisting of only the endorser's name.	_____	12. _____

Name _____

ACTIVITIES


Applying Writing Skills

To open a checking account, you need to complete a signature card. Below is a card provided by the First Community Bank in your hometown. Complete the card, assuming that the account is in your name only and that you work at a local fast-food restaurant full time during summers and part time during the school year.

ACCOUNT NO. <input type="checkbox"/> 548635	INDIVIDUAL CHECKING <input type="checkbox"/>	 First Community Bank
<p>You are authorized to recognize the signature subscribed below in the payment of funds or the transaction of any business for this account. It is agreed that all transactions between you and the undersigned shall be governed by the contract printed on the reverse side of this card.</p>		
Sign Here _____		
Home Address _____		
		Phone No. _____
Business Address _____		
Occupation or Business _____		Phone No. _____
Soc. Sec. No. _____		Date _____

Applying Basic Skills

You have just completed your signature card and are now ready to make your first deposit. Below is a copy of a deposit slip which you must complete in order to use your account. You have \$50 in cash and a check for \$75.83 to deposit. Record the number assigned by the American Bankers Association, 3-68, on the *Checks* line.

TO THE CREDIT OF			
ACCOUNT NUMBER	54	86	35
NAME _____			
STREET _____			
CITY _____			
 First Community Bank Yorkville, IL			
DATE _____		20 ____	

IF ADDITIONAL LISTING IS REQUIRED USE REVERSE SIDE	DOLLARS	CENTS
CASH		
CHECKS 1		
2		
3		
4		
5		
BALANCE BROUGHT FORWARD FROM REVERSE SIDE		
TOTAL		

Applying Math Skills

Cheryl M. Gaston operates a gift shop and is about to make a deposit into her business account using the deposit slip below. She has counted her money carefully and has arranged it by coins, currency, and checks. Her account number is 225-736-4. Use the information provided and complete the deposit slip for her.

AMOUNTS
(In-Dollars and-Cents)

COINS	24 pennies	_____	
	18 nickels	_____	
	35 dimes	_____	
	27 quarters	_____	
	Total Coins		_____
CURRENCY:	15 one-dollar bills	_____	
	10 five-dollar bills	_____	
	20 ten-dollar bills	_____	
	6 twenty-dollar bills	_____	
	1 one-hundred-dollar bill	_____	
	Total Currency		_____
CHECKS:	No. 7-23 \$18.00		
	No. 7-41 \$ 8.50		
	No. 3-58 \$31.50		
	Total Checks		_____
	Total Deposit		_____

TO THE CREDIT OF		<div style="display: flex; justify-content: space-between;"> <div style="width: 60%;"> ACCOUNT NUMBER <div style="border: 1px solid black; padding: 2px; display: flex; justify-content: space-between;"> <div style="width: 30%;">NAME</div> <div style="width: 30%;">STREET</div> <div style="width: 30%;">CITY</div> </div> </div> <div style="width: 35%; text-align: center;"> Second National Bank DATE _____ 20 ____ </div> </div>	
IF ADDITIONAL LISTING IS REQUIRED USE REVERSE SIDE	DOLLARS	CENTS	
CASH			
CHECKS	1		
	2		
	3		
	4		
	5		
BALANCE BROUGHT FORWARD FROM REVERSE SIDE			
TOTAL			

Name _____

Applying Business Knowledge

Below are four checks requiring endorsements. A portion of the front and back of each check is shown. Read the information provided for each situation and endorse each check as requested.

Situation 1

This check was received by Carlos Rivera who wishes to cash it at his own bank. Assume that you are Mr. Rivera and that you are now with a bank teller. Use a blank endorsement.

	CHECK NO. <u>75</u>
	<u>March 7</u> 20 <u>--</u> 60-1275 319
	<u>Rivera</u> <u> </u> \$ <u>75.00</u>
	<u> </u> DOLLARS
	For Classroom Use Only
	JOHNSON CORPORATION <u>A. Mary Johnson</u>

Situation 2

This check was received by James Liu, and he wishes to endorse it to his brother-in-law, Joseph Kim. Endorse the check assuming you are James Liu. Use a special or full endorsement.

	CHECK NO. <u>3004</u>
	<u>January 7</u> 20 <u>--</u> 58-1278 842
	<u> </u> \$ <u>245.68</u>
	<u>five 68/100</u> DOLLARS
	For Classroom Use Only
	<u>Gordon Meyers</u>

Situation 3

You are Jean E. Judge. A check you received, however, was made payable to you as Jean F. Judge. Use a blank endorsement.

	CHECK NO. <u>0002</u>	
	<u>Oct. 7</u> 20 <u>--</u>	<u>42-741</u> 2260
	<u>J. Judge</u>	\$ <u>83.00</u>
		DOLLARS
	For Classroom Use Only	
	WILDWOOD CORP. <u>Gary Hammond</u>	
	1 3 11	

Situation 4

As the bookkeeper for Sure-Shopper, a small convenience store, endorse this customer's check assuming it is to be deposited in the store's account. Use a restrictive endorsement.

	CHECK NO. <u>78</u>	
	<u>Dec. 4</u> 20 <u>--</u>	<u>11-7015</u> 3251
	<u>Shopper</u>	\$ <u>58.17</u>
	<u>17/100</u>	DOLLARS
	For Classroom Use Only	
	<u>Elma Hooper</u>	
	1 7 51	

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CHAPTER 27

Using Checks and Other Payment Methods

STUDY GUIDE

PART I

Directions: Indicate your answer to each question below by placing a check mark on the line under *yes* or *no* at the right.

	YES	NO	For Scoring
1. Are all checks either returned to the people who wrote them or kept on file at banks?	_____	_____	1. _____
2. Does a check register serve a different purpose from a check stub?	_____	_____	2. _____
3. Should a check be written before a check stub is filled out?	_____	_____	3. _____
4. Is the dollar amount recorded twice on each check?	_____	_____	4. _____
5. When one amount on a check has been crossed out and replaced with a new amount, will the bank accept the check for deposit?	_____	_____	5. _____
6. If you request that a bank refuse to cash a check you have written is the bank likely to charge you a fee?	_____	_____	6. _____
7. Can you hold the bank responsible for cashing a check made out by someone who signed your name as the drawer?	_____	_____	7. _____
8. Could you legally write a check on a napkin with a crayon?	_____	_____	8. _____
9. Is a check sent through the mail that arrives late called a postdated check? . .	_____	_____	9. _____
10. Is it wise to request a bank to stop payment on a check you wrote because you did not like the item purchased?	_____	_____	10. _____

PART II

Directions: An important term has been omitted from each of the following statements. In Column 2 write the word or words needed to complete each sentence in Column 1.

COLUMN 1	COLUMN 2	For Scoring
1. The owner of a checking account is called the (?)	_____	1. _____
2. The person or organization to whom you make a check payable is called the (?)	_____	2. _____
3. Signing another person's name on a check is called (?) . . .	_____	3. _____
4. Writing a check for more money than you have in your account is called (?)	_____	4. _____

PART III

Directions: Indicate your answer by placing the letter of the term in the blank to the right of its definition.

- | | |
|--------------------|-----------------------|
| A. drawer | G. stop-payment order |
| B. payee | H. certified check |
| C. drawee | I. cashier's check |
| D. forgery | J. traveler's checks |
| E. overdrawing | K. money order |
| F. postdated check | |

	ANSWERS	For Scoring
1. The owner of the account and the person who signs the check.	_____	1. _____
2. The crime of writing another person's signature on the check without his or her authority.	_____	2. _____
3. A form designed for the traveler to use in making payments.	_____	3. _____
4. A check dated later than the date on which it is written.	_____	4. _____
5. The person to whom the check is written.	_____	5. _____
6. The bank or other financial institution that pays a check.	_____	6. _____
7. The form instructing a bank not to pay a certain check.	_____	7. _____
8. A check that a bank draws on its own in-house funds.	_____	8. _____
9. Writing a check for more money than is in one's account.	_____	9. _____
10. A personal check for which a bank has guaranteed payment.	_____	10. _____
11. A form of payment that orders the issuing agency to pay the amount printed on the form to another party.	_____	11. _____

Name _____

ACTIVITIES

Applying Business Knowledge

Assume you are Donald Douglas, and you recently have opened a checking account. The current balance in your account is \$221.75, as shown on the first check stub after "BAL FOR'D" (balance brought forward from previous stub). You are to fill out the check stubs and checks provided below using today's date.

(a) Pay \$35.56 to ACT III Hair Design for styling. (Number the stubs beginning with 12.)

(b) Pay \$110.00 to the First Finance Company for a car payment.

NO. _____ \$ _____ _____ 20 _____ TO _____ FOR _____ <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th style="width: 15%;">BAL. FOR'D.</th> <th style="width: 15%;">DOLLARS</th> <th style="width: 15%;">CENTS</th> </tr> <tr> <td></td> <td style="text-align: center;">221</td> <td style="text-align: center;">75</td> </tr> <tr> <td>DEPOSITS</td> <td></td> <td></td> </tr> <tr> <td>DEPOSITS</td> <td></td> <td></td> </tr> <tr> <td>TOTAL</td> <td></td> <td></td> </tr> <tr> <td>THIS CHECK</td> <td></td> <td></td> </tr> <tr> <td>OTHER DEDUCTIONS</td> <td></td> <td></td> </tr> <tr> <td>BAL. FOR'D.</td> <td></td> <td></td> </tr> </table>	BAL. FOR'D.	DOLLARS	CENTS		221	75	DEPOSITS			DEPOSITS			TOTAL			THIS CHECK			OTHER DEDUCTIONS			BAL. FOR'D.			<div style="text-align: right;"> No. _____ 56-1487 412 _____ 20 _____ </div> <div style="margin-top: 20px;"> PAY TO THE ORDER OF _____ \$ _____ _____ DOLLARS SECOND NATIONAL BANK Westchester, Ohio For Classroom Use Only FOR _____ ⑆041214878⑆ 471002537⑆ </div>
BAL. FOR'D.	DOLLARS	CENTS																							
	221	75																							
DEPOSITS																									
DEPOSITS																									
TOTAL																									
THIS CHECK																									
OTHER DEDUCTIONS																									
BAL. FOR'D.																									

NO. _____ \$ _____ _____ 20 _____ TO _____ FOR _____ <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th style="width: 15%;">BAL. FOR'D.</th> <th style="width: 15%;">DOLLARS</th> <th style="width: 15%;">CENTS</th> </tr> <tr> <td></td> <td></td> <td></td> </tr> <tr> <td>DEPOSITS</td> <td></td> <td></td> </tr> <tr> <td>DEPOSITS</td> <td></td> <td></td> </tr> <tr> <td>TOTAL</td> <td></td> <td></td> </tr> <tr> <td>THIS CHECK</td> <td></td> <td></td> </tr> <tr> <td>OTHER DEDUCTIONS</td> <td></td> <td></td> </tr> <tr> <td>BAL. FOR'D.</td> <td></td> <td></td> </tr> </table>	BAL. FOR'D.	DOLLARS	CENTS				DEPOSITS			DEPOSITS			TOTAL			THIS CHECK			OTHER DEDUCTIONS			BAL. FOR'D.			<div style="text-align: right;"> No. _____ 56-1487 412 _____ 20 _____ </div> <div style="margin-top: 20px;"> PAY TO THE ORDER OF _____ \$ _____ _____ DOLLARS SECOND NATIONAL BANK Westchester, Ohio For Classroom Use Only FOR _____ ⑆041214878⑆ 471002537⑆ </div>
BAL. FOR'D.	DOLLARS	CENTS																							
DEPOSITS																									
DEPOSITS																									
TOTAL																									
THIS CHECK																									
OTHER DEDUCTIONS																									
BAL. FOR'D.																									

Applying Math Skills

As bookkeeper for Sarah's Service Station, you handle the checking account transactions. Fill out the checks and deposit ticket as indicated below. Sarah Buttonwood, the owner of the gasoline station, will sign the checks. Record all transactions in the check register which follows.

- Jan. 8 Pay \$850.79 to Cranshaw Distributors for gasoline purchases.
- Jan. 9 Pay \$62.25 to Foreign Supply House for windshield wiper blades.
- Jan. 10 Deposit the following: currency, \$284.00; coins, \$76.40; and checks, with ABA numbers shown in parentheses—\$51.59 (30-680), \$32.92 (30-520), and \$142.76 (12-872).

Sarah's Service Station		386	65-23
11911 King Street			550
Emmitsburg, MD 21727-2742		_____ 20 _____	
PAY TO THE			
ORDER OF _____		\$ _____	
		_____ DOLLARS	
COMMERCIAL BANK		For Classroom Use Only	
EMMITSBURG, MARYLAND		Sarah's Service Station	
FOR _____		By _____	
⑆055000236⑆ 247⑈54456⑆			

Sarah's Service Station		387	65-23
11911 King Street			550
Emmitsburg, MD 21727-2742		_____ 20 _____	
PAY TO THE			
ORDER OF _____		\$ _____	
		_____ DOLLARS	
COMMERCIAL BANK		For Classroom Use Only	
EMMITSBURG, MARYLAND		Sarah's Service Station	
FOR _____		By _____	
⑆055000236⑆ 247⑈54456⑆			

Name _____

CHECKING ACCOUNT DEPOSIT SLIP		DOLLARS CENTS	
NAME _____		CURRENCY	
		COIN	
DATE _____ 20 ____		1 CHECKS	
		2	
		3	
		4	
<p>This deposit is accepted subject to verification and to the rules and regulations of this bank.</p> <p>COMMERCIAL BANK EMMITSBURG, MARYLAND</p>		TOTAL FROM OTHER SIDE	
		TOTAL	
		LESS CASH RECEIVED	
		TOTAL DEPOSIT	
<p>ACCOUNT NUMBER 247 544 56</p>		<p>IF MORE THAN 4 CHECKS LIST ON REVERSE SIDE, EN- TER TOTAL HERE</p>	

PLEASE BE SURE TO DEDUCT ANY PER CHECK CHARGES OR MAINTENANCE CHARGES THAT EFFECT YOUR ACCOUNT									
ITEM NO.	DATE	PAYMENT ISSUED TO OR DESCRIPTION OF DEPOSIT	AMOUNT OF PAYMENT		✓	AMOUNT OF DEPOSIT OR INTEREST		BALANCE FORWARD	
								2461	83
		TO _____						Payment or Deposit	
		FOR _____						Balance	
		TO _____						Payment or Deposit	
		FOR _____						Balance	
		TO _____						Payment or Deposit	
		FOR _____						Balance	
		TO _____						Payment or Deposit	
		FOR _____						Balance	
		TO _____						Payment or Deposit	
		FOR _____						Balance	

Applying Critical Thinking Skills

The following puzzle contains checking account terms. The terms can be read forward, backward, up, down, or diagonally. Find each term and circle it in the diagram. The terms are listed below for you.



Word List

drawee	postdated
drawer	blank
forgery	restrictive
overdrawing	special
payee	leading
float	trailing
stop payment	

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Your Score.



CHAPTER 28

Managing Your Checking Account and Other Financial Services

STUDY GUIDE

PART I

Directions: Indicate your answers to each question below by placing a check mark on the line under *yes* or *no* at the right.

	YES	NO	For Scoring
1. Is it possible for machines to read and sort thousands of checks in a minute?	_____	_____	1. _____
2. Do most banks return written checks to the drawer?	_____	_____	2. _____
3. Is the Federal Reserve System always involved in getting checks returned to the banks of drawers?	_____	_____	3. _____
4. Are local banks likely to work together to return checks to each other's customers?	_____	_____	4. _____
5. Assume Megan wrote a check to Chris, who deposited it. If both checking accounts are in the same bank, would a clearinghouse be used?	_____	_____	5. _____
6. Would two banks located in the same town need a clearinghouse for most of their customers' checks?	_____	_____	6. _____
7. Are clearinghouses usually found in large cities?	_____	_____	7. _____
8. Does the Federal Reserve System act as a clearinghouse between banks in different cities?	_____	_____	8. _____
9. Are only a few checks processed through the Federal Reserve System every day?	_____	_____	9. _____
10. Is the cost of routing checks back to drawers inexpensive?	_____	_____	10. _____
11. Do electronic fund transfers (EFTs) eliminate the use of checks?	_____	_____	11. _____
12. Do most banks send bank statements to their customers weekly?	_____	_____	12. _____
13. Does a bank customer need to write a check after asking the bank to make an automatic car payment?	_____	_____	13. _____
14. Will the ending bank balance on the bank statement usually be the same as the balance in a customer's account?	_____	_____	14. _____
15. When customers are sent bank statements, are some customers also sent checks the bank has paid for?	_____	_____	15. _____
16. Should depositors save the checks that have been paid and returned by the bank?	_____	_____	16. _____
17. If a bank does not return paid checks, can a customer get a copy of a check?	_____	_____	17. _____
18. If you withdraw cash from an automated teller machine, will you get a receipt?	_____	_____	18. _____
19. Does a customer write a check to pay for a bank service charge?	_____	_____	19. _____
20. Should interest earned on a checking account be added to the checking account balance?	_____	_____	20. _____

PART II

Directions: Decide whether each of the following sentences is true or false. If a sentence is true, write *true* in the *Answers* column. If the sentence is false, replace the term that appears in boldface with a term that makes the sentence true. Write the correct term in the *Answers* column.

	ANSWERS	For Scoring
1. An organization that operates a place for members to route customers' checks back to their drawers is called a meetinghouse	_____	1. _____
2. The written report that a bank regularly sends its checking account customers is called a reconciliation statement . . .	_____	2. _____
3. If your bank returns checks with your statement, some of the checks that the bank paid during the month will be returned.	_____	3. _____
4. Checks returned by the bank with the monthly statement are called canceled checks	_____	4. _____

PART III

Directions: Indicate your answer by placing the letter of the term in the blank to the right of its definition.

- | | |
|-------------------|------------------------|
| A. clearing | D. canceled checks |
| B. clearinghouse | E. bank reconciliation |
| C. bank statement | F. outstanding checks |

	ANSWERS	For Scoring
1. A place where member banks exchange checks to clear them.	_____	1. _____
2. Checks that have been paid by the bank.	_____	2. _____
3. Checks that have not been deducted from the bank-statement balance. . .	_____	3. _____
4. Returning a check to the drawer's bank to be paid and charged to his or her checking account.	_____	4. _____
5. A statement showing how the checkbook balance and the bank statement were brought into agreement.	_____	5. _____
6. A report sent by the bank to a depositor showing the status of his or her account.	_____	6. _____

Name _____

ACTIVITIES

Applying Systems Skills

Representatives of the two banks in the town of Hamilton meet each day to clear checks. The amounts held by each bank for the last five days appear in the table below. Calculate the amount paid daily and record your solutions in the appropriate column on the right. The amount paid on the first day is given as a sample.

CHECKS HELD BY:				
DAY	FIRST NATIONAL	HAMILTON STATE	FIRST NATIONAL PAYS HAMILTON STATE	HAMILTON STATE PAYS FIRST NATIONAL
December 10	\$ 35,086	\$ 28,890	_____	\$6,196
December 11	\$ 17,845	\$ 16,152	_____	_____
December 12	\$ 18,212	\$ 20,352	_____	_____
December 13	\$ 24,981	\$ 25,779	_____	_____
December 14	\$ 37,852	\$ 34,148	_____	_____
Net exchange for the week	\$133,976	\$125,321	_____	_____

Applying Critical Thinking Skills

Listed below are checking account items. Place a check mark in the appropriate column or columns at the right to indicate whether each item is recorded on a bank statement, returned with a bank statement, or is neither recorded on nor returned with a bank statement.

ITEM	RECORDED ON BANK STATEMENT	RETURNED WITH BANK STATEMENT	NEITHER
1. canceled checks	_____	_____	_____
2. outstanding checks	_____	_____	_____
3. reconciliation form	_____	_____	_____
4. deposits	_____	_____	_____
5. EFT transactions	_____	_____	_____
6. ending monthly balance	_____	_____	_____
7. stop payment form	_____	_____	_____
8. service charges	_____	_____	_____
9. name of clearinghouse used	_____	_____	_____
10. notices of EFT transactions	_____	_____	_____

Applying Math Skills

George Taflambas opened a checking account one month ago. He just received his first bank statement and canceled checks. The following forms show the front and back of his bank statement. The back contains the form for reconciling the bank statement with his check stub record. Use this form to reconcile his account balance.

Additional information needed to reconcile includes the following:

- (a) George's checkbook balance is \$209.90.
- (b) The last two checks he wrote are outstanding:
 No. 108 \$32.50
 No. 109 \$51.25
- (c) A deposit of \$90.00 was mailed to the bank on October 29 and does not appear on the bank statement.

Second National Bank Checking Account Statement						
George Taflambas 927-A Harborview Condominiums Charleston, SC 29401-0000				ACCT 448 79351 DATE 10/31/-- PAGE 1		
Please examine at once. If no errors are reported within ten days, account will be considered correct.						
BALANCE FORWARD	NO. OF WITH-DRAWALS	TOTAL AMOUNT	NO. OF DEP.	TOTAL DEPOSIT AMOUNT	SERVICE CHARGE	BALANCE THIS STATEMENT
0.00	9	476.35	3	675.00	5.00	198.65
CHECKS AND OTHER DEPOSITS			DEPOSITS AND OTHER CREDITS		DATE	BALANCE
			75.00		10/02	75.00
			300.00		10/07	375.00
101	25.50				10/12	349.50
102	42.75				10/14	306.75
103	67.18				10/18	239.57
104	128.25				10/19	111.32
105	16.00				10/19	95.32
			300.00		10/21	395.32
106	10.02				10/24	385.30
107	81.65				10/27	303.65
100.00 AP					10/28	203.65
5.00 SC					10/30	198.65
KEY TO SYMBOLS						
AD- AUTOMATIC DEPOSIT AP- AUTOMATIC PAYMENT ATD- AUTOMATIC TELLER DEPOSIT ATW- AUTOMATIC TELLER WITHDRAWAL CC- CERTIFIED CHECK EC- ERROR CORRECTED OD- OVERDRAFT			PC- PAID OVERDRAFT CHARGE PR- PAYROLL DEPOSIT RC- RETURN CHECK CHARGE RT- RETURN ITEM SC- SERVICE CHARGE ST- SAVINGS TRANSFER TC- TRANSFER CHARGE			

**YOU CAN EASILY
BALANCE YOUR CHECKBOOK
BY FOLLOWING THIS PROCEDURE**

BALANCE SHOWN ON BANK STATEMENT	\$ _____
ADD DEPOSITS NOT ON STATEMENT	\$ _____

TOTAL	\$ _____

BALANCE SHOWN IN
YOUR CHECKBOOK \$ _____

ADD ANY
DEPOSITS NOT
ALREADY ENTERED
IN CHECKBOOK \$ _____

TOTAL \$ _____

[illegible]

TOTAL	\$ _____
BALANCE	\$ _____

\$ _____

TOTAL \$ _____

BALANCE \$ _____

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Applying Thinking and Information Skills

All banks provide you with a printed reconciliation form on the back of your bank statement. The simplest and most common of these forms is the method you have learned in this chapter. Below is another form provided by a bank to its customers. To see that both methods arrive at the same figure, even though in a different format, reconcile the statement for George Taflambas which you completed in the previous activity.

PLEASE RECONCILE YOUR STATEMENT WHEN RECEIVED

STEP 1

Update your checkbook register using this monthly statement.

ADD any deposits to your account that you have not already entered. These may include any one of the following:

- Direct deposit of payroll
- Interest paid
- Direct deposit of Social Security

SUBTRACT any deductions from your account that you have not already entered. These may include any one of the following:

- Check printing charges
- Pre-authorized payments
- Automated teller machine withdrawals
- Automatic transfers
- Service charges

Enter these items into your checkbook register.

STEP 2

List below any deposits or additions to your account not reflected on this statement.

ITEM	AMOUNT
TOTAL	\$

STEP 3

List below any checks or subtractions from your account not reflected on this statement.

ITEM	AMOUNT
TOTAL	\$

STEP 4

To determine your current account balance, complete the following:

Enter balance shown on statement \$ _____

Add deposits + \$ _____

(Enter total from Step 2)

Subtotal \$ _____

Subtract outstanding checks - \$ _____

(Enter total from Step 3)

Current Balance \$ _____

The current balance should be the same amount as in your updated checkbook register.